



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

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CONTACT: Brookly McLaughlin
(202) 622-1996

Assistant Secretary for Financial Markets Timothy S. Bitsberger May 2005 Quarterly Refunding Statement

We are offering \$51.0 billion of notes to refund approximately \$39.6 billion of privately held securities and government account holdings maturing or called on May 15, raising approximately \$11.4 billion. The securities are:

- A new 3-year note in the amount of \$22 billion, maturing May 15, 2008;
- A new 5-year note in the amount of \$15 billion, maturing May 15, 2010;
- A new 10-year note in the amount of \$14 billion, maturing May 15, 2015.

These securities will be auctioned on a yield basis at 1:00 PM EDT on Tuesday, May 10, Wednesday, May 11, and Thursday, May 12, respectively. All of these auctions will settle on Monday, May 16. The balance of our financing requirements will be met with weekly bills, monthly 2-year and 5-year notes, the June 10-year note reopening, and the July 10-year TIPS and 20-year TIPS reopening. Treasury also is likely to issue cash management bills in early June and July.

Thirty-Year Nominal Issuance

Treasury is considering whether or not to reintroduce regular issuance of a 30-year nominal Treasury bond. A decision on 30-year nominal issuance will be announced at the August 2005 refunding on August 3, 2005.

We will examine if we have the flexibility to issue 30-year bonds while maintaining deep and liquid markets in our other securities and determine if nominal bond issuance is cost effective.

There are two possible outcomes:

- No change in current policy; or
- Semi-annual auctions of a 30-year nominal security beginning in February 2006.

We welcome comments from all market participants on this issue and will respect the confidentiality of any proprietary information received.

New and Revised Data Releases

In November 2004, Treasury announced that we were assessing the data we publish on Treasury auctions and holdings. We received many comments and suggestions on this topic. We have made the following changes to the data listed below:

- ***Investor Class Auction Allotments***

Beginning on May 10, 2005, Treasury will release investor class auction allotment data for the previous month. We anticipate releasing future data at 3:00 PM EST on the 7th business of each month.

Data for both Treasury bill and coupon auctions will be released on the Office of Debt Management's website at the following link: http://www.treas.gov/offices/domestic-finance/debt-management/investor_class_auction.shtml. Treasury previously released only the coupon allotment data in the quarterly Treasury Bulletin table PDO-4.

- ***State and Local Government Series (SLGS)***

By August 2005, Treasury will begin releasing daily SLGS activity and balances, with historical data back to 1999. Data for SLGS new subscriptions, cancelled subscriptions, new issues, summary of redemptions by type, and SLGS balances by maturity range will be released on Bureau of the Public Debt's website at the following link: <http://www.publicdebt.treas.gov/opd/opd.htm>

- ***Savings Bonds***

Beginning on June 10, 2005, Treasury will release monthly savings bond data for the previous month. We anticipate releasing savings bond data on the 10th calendar day of each month. Data for savings bond sales, redemptions, amounts outstanding, interest payments, and average maturities will be released on Bureau of the Public Debt's website at the following link: <http://www.publicdebt.treas.gov/opd/opd.htm>

- ***Monthly Statement of the Public Debt***

We have made several formatting changes to the MSPD to make it more user friendly and easier to download. The MSPD can be found on Bureau of the Public Debt's website at the following link: <http://www.publicdebt.treas.gov/opd/opddload.htm>

State and Local Government Series (SLGS) Regulatory Changes

Treasury expects to issue new final rules on State and Local Government Securities by June 30, 2005. On September 30, 2004 Treasury issued a Notice of Proposed Rulemaking (NPRM) regarding the SLGS security program. The proposed rule is designed to curb arbitrage activity that exists largely because of exploitable pricing lags between SLGS and marketable securities. Treasury believes that such trading activity is against the spirit of the SLGS program. This arbitrage activity creates excessive volatility in Treasury cash balances, adversely impacting marketable borrowing in a manner that is costly to federal taxpayers.

Over a 45-day comment period following publication of the NPRM, Treasury received comment letters from market participants concerning the proposed rule. Treasury is carefully considering these comments in crafting the final rule. Treasury believes the final rule will make SLGS securities better resemble other investment opportunities that are available in the market. Treasury believes that the final rule will maintain the simplicity, flexibility, and ease of use of the SLGS program in a fashion that meets

its intended purpose of assisting tax-exempt borrowers in complying with IRS arbitrage rebate rules, while eliminating opportunities to arbitrage and exploit the current program.

Please send comments and suggestions on these subjects or others relating to Treasury debt management to debt.management@do.treas.gov.

The next quarterly refunding announcement will take place on Wednesday, August 3, 2005.